



State of Utah

DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

Michael O. Leavitt
Governor
Kathleen Clarke
Executive Director
Lowell P. Braxton
Division Director

1594 West North Temple, Suite 1210
PO Box 145801
Salt Lake City, Utah 84114-5801
801-538-5340
801-359-3940 (Fax)
801-538-7223 (TDD)

December 12, 2001

CERTIFIED RETURN RECEIPT
7099 3400 0016 8896 4387

Ray Gottling
Kennecott Barneys Canyon Mining Company
8200 South 9600 West
P.O. Box 311
Bingham Canyon, Utah 84006-0311

Re: Surety Release and Five-Year Review of Reclamation Surety Estimate, Kennecott Barneys Canyon Mining Company, Barneys Canyon Mine, M/035/009, Tooele County, Utah

Dear Mr. Gottling:

Thank you for providing the requested information regarding the five-year review status of the Barneys Canyon Mine, located in Tooele County, Utah. The last surety estimate for this mine was \$4,604,000 in year 2000 dollars. The information and map furnished by Kennecott Barneys Canyon Mining Company stated that the company believed that it had reclaimed a sufficient amount of areas within the permit area that could possibly offset the projected bond escalation. These areas were shown on a map included with this information. Kennecott requested an inspection by the Division to view the reclamation that had been completed to date.

On November 19, 2001, the Division inspected three areas at the site (inspection memo attached) which had been recontoured and seeded more than three years ago. After touring Areas 1, 2 & 3, containing 90.5 acres, the Division agreed that the areas had attained reclamation and revegetation success and would not require any additional reclamation effort. **The designated areas containing 90.5 acres are hereby released from any further reclamation obligations.**

The Division on November 28, 2001 received an additional request for release of reclaimed areas. This request was an application for release of seven areas totaling an additional 328.1 acres. A map was included showing seven additional areas (Areas 4 through 10) to be considered for release. Areas 4 through 7, totaling 151.1 acres were pit walls which, because they were less than 45 degrees and stable, would not require any additional reclamation effort. The permit for the mine allowed the highwalls to remain if the overall slope was less than 45 degrees and they were stable. The highwall areas have been viewed during past inspections of the site and meet these requirements. **The Division hereby releases the respective highwall areas totaling 151.1 acres from any further reclamation obligations.**

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Ray Gottling
M/035/009
December 12, 2001

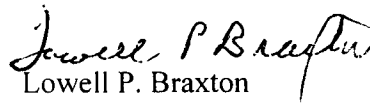
Areas 8, 9, & 10 were areas of the site, totaling 177.0 acres, where the recontouring and the addition of topsoil have been completed this year. The Division inspected these areas totaling 177.0 acres and agrees that the recontouring and soil placement is satisfactory. **Therefore, the Division accepts the earthwork portion of the work as complete. However, we will retain a portion of the bond amount for the 177.0 acres until reseeded has been completed and revegetation success has been demonstrated, which is normally a three year period. The Division hereby releases 60% of the bonded amounts for these areas.**

The Division has calculated an escalated bond amount for the Barneys Canyon Mine after removing the acreage for the released areas and reduced the cost/acre for areas discussed above. The revised surety amount escalated to the year 2006 is \$4,638,000. A Surety Estimate Update is attached for your use. Because the mine site is presently engaged in on-going reclamation efforts, the Division feels the \$4,604,000 bond amount presently being held by the Division is sufficient to reclaim the site. **Therefore we will not require that Barneys Canyon Mine provide additional surety** to cover the difference between the bond currently held and the escalated bond amount.

We will, however, require that an updated Reclamation Contract be provided which reflects the current disturbed acreage (963.0 acres) and the surety amount escalated to year 2006 dollars. We have partially completed a new Reclamation Contract (form MR-RC) and enclosed a copy of the existing Reclamation Contract for your use in completing the updated form. Please revise "Attachment A" of the Contract to accurately reflect the current extent of surface disturbance under bond. Also, please include or reference the appropriate disturbed area map that coincides with the revised legal description. Please submit the new Reclamation Contract by December 31, 2001.

The Division appreciates your efforts in providing the additional information in a timely manner to allow us to complete this bond escalation. Thank you for your help in keeping the surety current. If you have any questions concerning this letter, please contact Doug Jensen at (801) 538-5382.

Sincerely,


Lowell P. Braxton
Director

jb
Attachment: Surety estimate update, 11/19/01 inspection memo
Enclosure: Partially Completed MR-RC & existing MR-RC
Enclosure: Blank MR-RC and copy of existing MR-RC
cc: Mary Ann Wright, DOGM
Doug Jensen, DOGM
M35-09-bondescal.doc

SURETY ESTIMATE UPDATE

Kennecott Barneys Canyon Mining Company

4-April-01

Barneys Canyon Mine FILE # M/035/009 Tooele County

Prepared by Utah Division of Oil, Gas & Mining Last Update DATE 12/06/01

DESCRIPTION:

- Previous reclamation surety estimate was \$4,604,000 in year 1998 dollars
- Reclamation Estimate base amount calculated in 1994-\$
- This update adjusts the surety amount for escalation only.
- 177.0 acres of disturbance released at 60%-- Earthwork Completed – Seeding Cost Retained**
- 90.5 acres released from further reclamation liabilities.
- Pit highwalls constitute a total of 151.1 acres & are released from further reclamation liabilities
- Escalation factors through 2001 are actual Means Historical Cost Indices
- Total disturbed area = 963 ACRES

CALCULATIONS	YR	ESCAL FACTOR	BOND AMOUNT
$F = P(1 + i)^{**n}$	1990	0.0077	\$0
	1991	0.0127	\$0
	1992	0.0221	\$0
	1993	0.0261	\$0
	1994	0.0321	\$3,812
	1995	0.0193	\$3,886
F = Future Sum	1996	0.0242	\$3,980
P = Present Sum	1997	0.0236	\$4,074
i = Escalation Factor	1998	0.0502	\$4,278
n = number of periods	1999	0.0200	\$4,364
	2000	0.0312	\$4,500
Three Yr Average = 3.12%	2001	0.0312	\$4,640
Used to Project 5 Yrs	2002	0.0312	\$4,785
From the Year 2001	2003	0.0312	\$4,934
	2004	0.0312	\$5,088
	2005	0.0312	\$5,247
	2006	0.0312	\$5,411

Updated \$/Acre (2006-\$) \$5,411

Present unreleased acreage total at Barneys = 963.0

Acreage total includes 177.0 acres released @ 60% (Earthwork Completed)

Updated Surety Amount (rounded 2006-\$) \$4,638,000



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December 10, 2001

TO: Minerals File

FROM: Lynn Kunzler, Senior Reclamation Specialist *LK*

RE: Site Inspection, Kennecott Barney's Canyon Mining Company, Barney's Canyon Mine, M/035/009, Salt Lake County, Utah

Date of Inspection: November 19, 2001
Time of Inspection: 9:00 a.m.
Conditions: Clear, cool
Participants: Bear Slothower and Ray Gottling, Kennecott; Doug Jensen and Lynn Kunzler, DOGM

Purpose of Inspection: To determine if reclamation standards have been met.

Observations:

This inspection started with a briefing meeting in the office where we were given a copy of the 7/26/01 Disturbed and Reclaimed Areas map for the Barneys Canyon Mine. We then proceeded to inspect the 1997 reclaimed areas (marked as Area 1, Area 2 and Area 3 on the map). Area 1 is the 6500 dump area to the north and east of the Barneys Canyon pit. Vegetation cover on this area averaged 54%, which is in excess of the revegetation success standard of 38.5% (.7 x 55%). Diversity was quite low, with the site being dominated by alfalfa, sweet clover and intermediate (?) wheatgrass. However, there were a few other grasses, (sheep fescue, slender wheatgrass) and shrubs (sagebrush and rabbit brush) observed.

Area 2 was located to the east of the Barneys 6300 Dump. Vegetation cover was slightly less at 48%. However, this site had better diversity. While the same species were present, there was a better mix. Also, indian ricegrass, bluebunch wheatgrass and mahogany were observed on this area.

Area 3 included the East Barneys Pit area. While vegetation cover was less (42%), the diversity and distribution of plants was much better. There was a marked increase in the number of shrubs (individual plants) on this area.

Recommendations:

Since all three areas exceed the revegetation success criteria of 38.5% ground cover, it is recommended that these areas be released from further reclamation liability.

Several photos were taken to document site conditions.

jb
cc: Bear Slothower, KBCMC
m35-09-insp. doc

STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
DIVISION of OIL, GAS and MINING
1594 West North Temple Suite 1210
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RECLAMATION CONTRACT

---ooOoo---

For the purpose of this RECLAMATION CONTRACT the terms below are defined as follows:

"NOTICE OF INTENTION" (NOI): (File No.) M-035-009
(Mineral Mined) Gold

"MINE LOCATION":
(Name of Mine) Barneys Canyon Mine
(Description) 8200 South 9600 West
P.O. Box 311
Bingham Canyon, Utah 84006-0311

"DISTURBED AREA":
(Disturbed Acres) 963.0
(Legal Description) (refer to Attachment "A")

"OPERATOR":
(Company or Name) Kennecott Barneys Canyon Mining Company
(Address) 8200 S 9600 W
Bingham Canyon, UT 84006-0311

(Phone) 801-569-7140

"OPERATOR'S REGISTERED AGENT":

Name)
(Address)

Corporation Service Company
One Utah Center
201 S. Main Street, Suite 1800
Salt Lake City, Utah 84111-2218
801-532-1234

(Phone)

"OPERATOR'S OFFICER(S)":

Bruce D. Farmer, President & CEO
Rob Light, Chief Financial Officer
Jack R. Welch, Assistant Treasurer

SURETY":

(Form of Surety - Attachment B)

Surety Bond

"SURETY COMPANY":

(Name, Policy or Acct. No.)

St. Paul Fire & Marine Insurance Company

"SURETY AMOUNT":

(Escalated Dollars)

\$4,604,000.00

"ESCALATION YEAR":

2006

"STATE":

State of Utah

"DIVISION":

Division of Oil, Gas and Mining

"BOARD":

Board of Oil, Gas and Mining

ATTACHMENTS:

A "DISTURBED AREA":

B "SURETY":

This Reclamation Contract (hereinafter referred to as "Contract") is entered into between Kennecott Barneys Canyon Mining Company the "Operator" and the Utah State Division of Oil, Gas and Mining ("Division").

WHEREAS, Operator desires to conduct mining operations under Notice of Intention (NOI) File No. M-035-009 which has been approved by the Utah State Division of Oil, Gas and Mining under the Utah Mined Land Reclamation Act, Sections 40-8-1 et seq., Utah Code Annotated, (1953, as amended) (hereinafter referred to as "Act") and implementing rules; and

WHEREAS, Operator is obligated to reclaim that area described as the Disturbed Area as set forth and in accordance with Operator's approved Reclamation Plan, and Operator is obligated to provide surety in form and amount approved by the Division, to assure reclamation of the Disturbed Area.

NOW, THEREFORE, the Division and the Operator agree as follows:

1. Operator agrees to conduct reclamation of the Disturbed Area in accordance with the Act and implementing regulations, the original Notice of Intention dated 9/29/89, and the original Reclamation Plan dated 9/29/89. The Notice of Intention as amended, and the Reclamation Plan, as amended, are incorporated by this reference and made a part hereof.
2. Concurrent with the execution hereof, Operator has provided surety to assure that reclamation is conducted, in form and amount acceptable to the Division. Such surety as evidenced by the Surety Contract is in the form of the surety attached hereto as Attachment B and made a part hereof. The Surety Contract shall remain in full force and effect according to its terms unless modified by the Division in writing. If the Surety Contract expressly provides for cancellation, then, within 60 days following the Division's receipt of notice that the Surety Company intends to cancel the Surety Contract, the Operator shall provide a replacement Surety Contract in a form and amount reasonably acceptable to the Division. If the Operator fails to provide an acceptable replacement Surety Contract, the Division may order the Operator to cease further mining activities and to begin immediate reclamation of the Disturbed Area.
3. Operator agrees to pay legally determined public liability and property damage claims resulting from mining to the extent provided in Section 40-8-7(1)(e) of the Act.
4. Operator agrees to perform all duties and fulfill all reclamation requirements applicable to the mine as required by the Act and implementing rules, the Notice of Intention, as amended and the Reclamation Plan, as amended.
5. The Operator's liability under this Contract shall continue in full force and effect until the Division certifies that the Operator has reclaimed the Disturbed Area in accordance with the Act and implementing rules, the Notice of Intention, as amended and the Reclamation Plan, as amended.
6. If reclamation of discrete sections of the Disturbed Area is completed to the satisfaction of the Division, and the Division finds that such sections are severable from the remainder of the Disturbed Area, Operator may request the Division to certify that Operator has reclaimed such discrete sections of the Disturbed Area in accordance with the Act and Implementing rules, the Notice of Intention, as amended and the Reclamation Plan, as amended. If the Division makes such certification, Operator may make request to the Division that the aggregate face amount of the Surety Contract provided pursuant to paragraph 2 be reduced to an amount necessary to provide for completion of the remaining reclamation. The Division shall hear Operator's

request for such reduction in accordance with the Board's Procedural Rules concerning requests for Agency Action.

7. Operator agrees to indemnify and hold harmless the State, Board and the Division from any claim, demand, liability, cost, charge, suit, or obligation of whatsoever nature arising from the failure of Operator or Operator's agents and employees, or contractors to comply with this Contract.
8. Operator may, at any time, submit a request to the Division to substitute surety. The Division may approve such substitution if the substitute surety meets the requirements of the Act and the implementing rules.
9. This Contract shall be governed and construed in accordance with the laws of the State of Utah.
10. If Operator shall default in the performance of its obligations hereunder, Operator agrees to pay all costs and expenses, including reasonable attorney's fees and costs incurred by the Division and/or the Board in the enforcement of this Contract.
11. Any breach that the Division finds to be material of the provisions of this Contract by Operator may, at the discretion of the Division, result in an order to cease mining operations. After opportunity for notice and hearing, the Board of Oil, Gas and Mining may enter an order to revoke the Notice of Intention, order reclamation, or order forfeiture of the Surety Contract, or take such other action as is authorized by law.
12. In the event of forfeiture of the Surety Contract, Operator shall be liable for any additional costs in excess of the surety amount which are required to comply with this Contract. Any excess monies resulting from forfeiture of the Surety Contract, upon completion of reclamation and compliance with this Contract, shall be returned to the rightful claimant.
13. This Contract including the Notice of Intention, as amended and the Reclamation Plan, as amended, represents the entire agreement of the parties involved, and any modification must be approved in writing by the parties involved.
14. Each signatory below represents that he/she is authorized to execute this Contract on behalf of the named party.

OPERATOR:

Kennecott Barneys Canyon Mining Company
Operator Name

By _____
Authorized Officer (Typed or Printed)

Authorized Officer - Position

Officer's Signature

Date

STATE OF _____)
_____) ss:
COUNTY OF _____)

On the _____ day of _____, 20____, _____
personally appeared before me, who being by me duly sworn did say that he/she is the
_____ of _____ and duly
acknowledged that said instrument was signed on behalf of said company by authority
of its bylaws or a resolution of its board of directors and said _____
duly acknowledged to me that said company executed the same.

Notary Public
Residing at _____

My Commission Expires:

DIVISION OF OIL, GAS AND MINING:

By _____
Lowell P. Braxton, Director

_____ Date

STATE OF _____)
_____) ss:
COUNTY OF _____)

On the _____ day of _____, 20 __, _____
personally appeared before me, who being duly sworn did say that he/she, the said _____
_____ is the Director of the Division of Oil, Gas and
Mining, Department of Natural Resources, State of Utah, and he/she duly acknowl-
edged to me that he/she executed the foregoing document by authority of law on behalf
of the State of Utah.

Notary Public
Residing at: _____

My Commission Expires:

ATTACHMENT "A"

Kennecott Barneys Canyon Mining Company
Operator

Barneys Canyon Mine
Mine Name

M-035-009
Permit Number

Salt Lake County, Utah

LEGAL DESCRIPTION

Include 1/4, 1/4, 1/4 sections, townships, ranges and any other descriptions that will legally determine where disturbed lands are located. Attach a topographic map of suitable scale (max. 1 inch = 500 feet; 1 inch = 200 feet or larger scale is preferred) showing township, range and sections and a clear outline of the disturbed area boundaries tied to this Reclamation Contract and surety.

The detailed legal description of lands to be disturbed includes portions of the following lands not to exceed 963.0 acres under the approved permit and surety, as reflected on the attached map labeled _____ and dated _____: